

**FEDERAL BANK**  
YOUR PERFECT BANKING PARTNER



**digitall**

**GROWTH FOR ALL  
ALL FOR GROWTH**

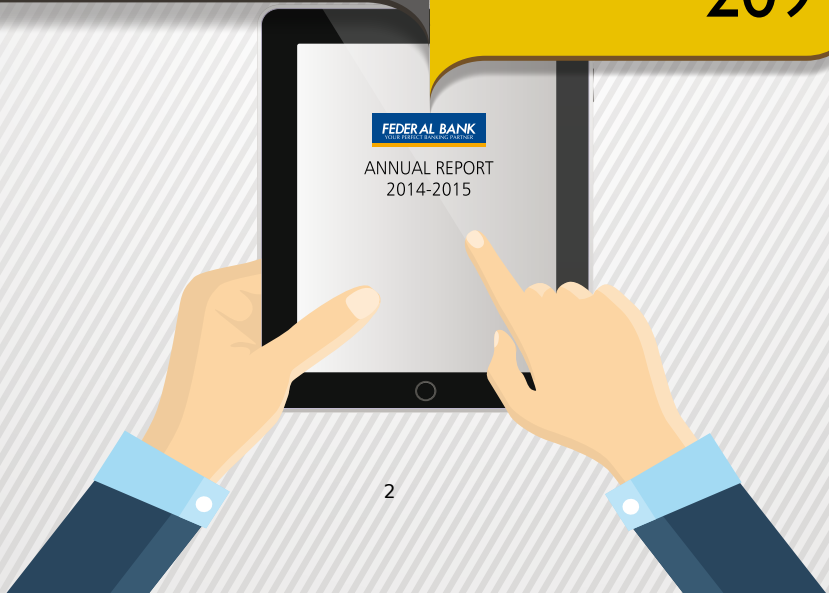
ANNUAL REPORT 2014-2015

## Safe Harbour

Safe Harbour This document contains certain forward-looking statements based on current expectations of The Federal Bank Limited management. Actual results may vary significantly from the forward-looking statements contained in this document due to various risks and political conditions in India and outside India, volatility in interest rates and in the securities market, new regulations and Government policies that may impact the businesses of The Federal Bank Limited as well as its ability to implement the strategy. The Federal Bank Limited does not undertake to update these statements. This documents does not constitute an offer or recommendation to buy or sell any securities of The Federal Bank Limited or any of its subsidiaries and associate companies. This document also does not constitute an offer or recommendation to buy or sell any financial products offered by The Federal Bank Limited. Figures for the previous year have been regrouped wherever necessary to conform to current year's presentation.

## Content

4	About our Bank	Performance Dashboard	5
8	Message from Chairman	Message from MD & CEO	10
12	Board of Directors & Management Team	Directors' Report	16
46	Management Discussion and Analysis	Corporate Governance	65
84	Financial Statement of the Federal Bank	Basel III Disclosures	144
169	Consolidated Financial Statement	Form AOC - I	209



The illustration shows a pair of hands holding a tablet. The tablet screen displays the cover of the Federal Bank Annual Report 2014-2015. The cover features the Federal Bank logo at the top, followed by the text 'ANNUAL REPORT 2014-2015'. The hands are positioned as if they are about to interact with the tablet.



## DIGITAL & INCLUSIVE GROWTH: OUR MANTRA

In almost every sphere of business today, we can find the imprints of digital technology. Banking is also no exception. Digitally transforming the world of banking for the better in more ways imaginable, making customers happier in the process.

A forerunner in digital banking, Federal Bank has always believed in fostering customer relationships by providing them cutting-edge banking solutions digitally. By digitalizing the various operations of banking, we ensure the growth of both our customers and our organization at the same time.

In addition to going digital, Federal Bank continues to give priority to inclusive growth covering all sections of society. Extending banking services to customers irrespective of reach and class, we strive for the all-inclusive development of our customer base.

Our commitment to wholeheartedly embrace the digital technology continued throughout the past year to reach new heights. This year's annual report cover is a reflection of the changing times and the ways in which our digital revolution is transforming the whole process of banking. In the following pages, we give you a peep into how digital became our mantra for all-encompassing growth. Setting us ready for new challenges in the future...

## ABOUT — THE — BANK

### Who we are:

The Bank was incorporated on April 23, 1931 as the **Travancore Federal Bank Limited Nedumpram** under the Travancore Companies Regulation, 1916. Late K. P. Hormis, the visionary banker and founder took up the reigns in 1945 and built the bank a nationwide institution. The Bank's name was changed to **The Federal Bank Limited** on December 2, 1949. The Bank was licensed under the Banking Regulation Act, 1949, on July 11, 1959 and became a scheduled commercial bank under the Second Schedule of Reserve Bank of India Act, 1934 in July 20, 1970. Today we are present in 25 States and 5 Union Territories and the bank is listed in Bombay, Cochin, National and London Stock Exchanges.

## OUR VISION

To be the **Most Admired Bank** by all stakeholders

## OUR MISSION

Devote balanced attention to the interests and expectations of stakeholders, and in particular:


**Shareholders:** Achieve a consistent annual post-tax return of 18% on net worth.

**Employees:** Develop in every employee a high degree of pride and loyalty in serving the Bank.

**Customers:** Meet and even exceed expectations of target customers by delivering appropriate products and services, employing as far as feasible, single window and 24-hour-seven-day-week concepts, leveraging a strengthened branch infrastructure, ATMs, other alternative distribution channels, cross-selling a range of products and services to meet customer needs varying over time, and ensuring the highest standards of service at all time.

 **1,247** Branches (March, 31, 2015)

 **1,485** ATMs (March 31, 2015)

 **10,981** Team (March 31, 2015)



# PERFORMANCE DASHBOARD

## Volume growth

AGRI Advances  
grew from  
₹ 5139 Cr to  
₹ 6312 Cr  
(Up by 22.83%)

Priority Sector  
Advances grew  
from ₹ 16,141 Cr to  
₹ 20,870 Cr  
(Up by 29.30%)

NRI Deposits grew  
from ₹ 20663 Cr  
to ₹ 25936 Cr  
(Up by 25.52%)

SME Advances  
grew from  
₹ 11,021 Cr to  
₹ 12,918 Cr  
(Up by 17.21%)

CASA Deposits  
grew from  
₹ 18401 Cr to  
₹ 21550 Cr  
(Up by 17.11%)

Home Loans  
grew from  
₹ 5929 Cr to  
₹ 6852 Cr  
(Up by 15.57%)

Retail Advances  
grew from  
₹ 14,124 Cr to  
₹ 16,135 Cr  
(Up by 14.24%)

## Income growth

Total Income  
grew from  
₹ 7639.92 Cr to  
₹ 8297.77 Cr  
(Up by 8.61%)

Net Interest  
Income grew from  
₹ 2228.61 Cr to  
₹ 2380.41 Cr  
(Up by 6.81%)

Other Income  
grew from  
₹ 693.85 Cr to  
₹ 878.31 Cr  
(Up by 26.58%)

## Key Ratios

Earnings Per  
Share

₹ 11.75

CRAR  
Under BASEL-III

15.46%

Return on  
Equity

13.77 %

Return on  
Assets

1.32%

Provision Coverage  
Ratio

83.94%

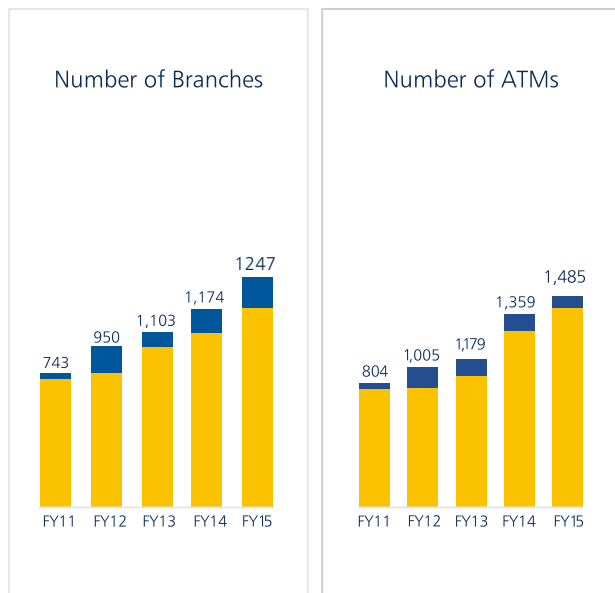
Net NPA

0.73%

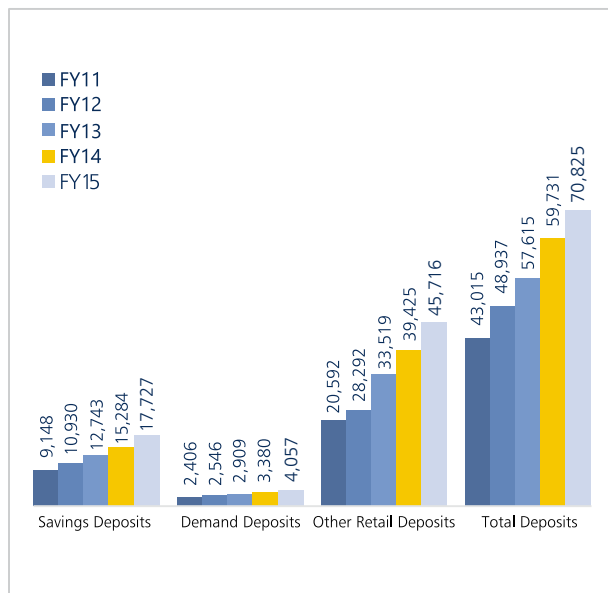


## Performance Dashboard

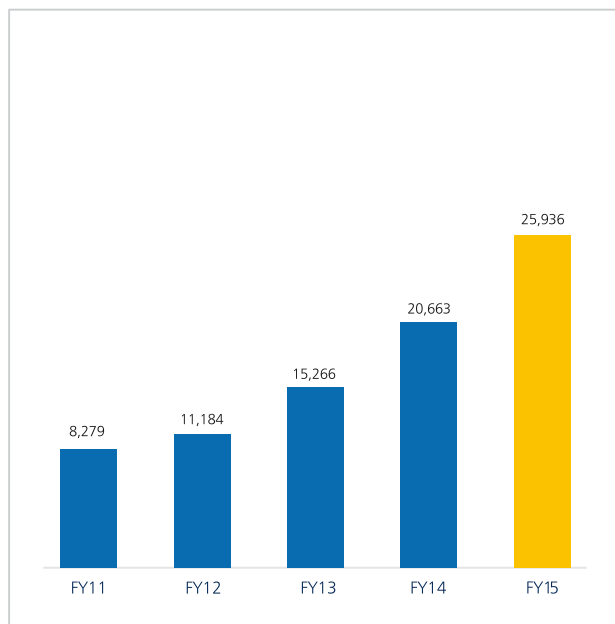
### Footprint expansion



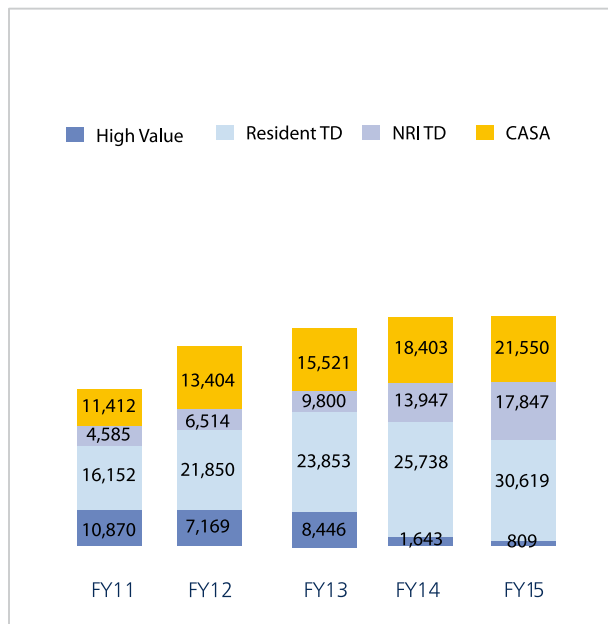
### Retail Deposit



### NR Deposits

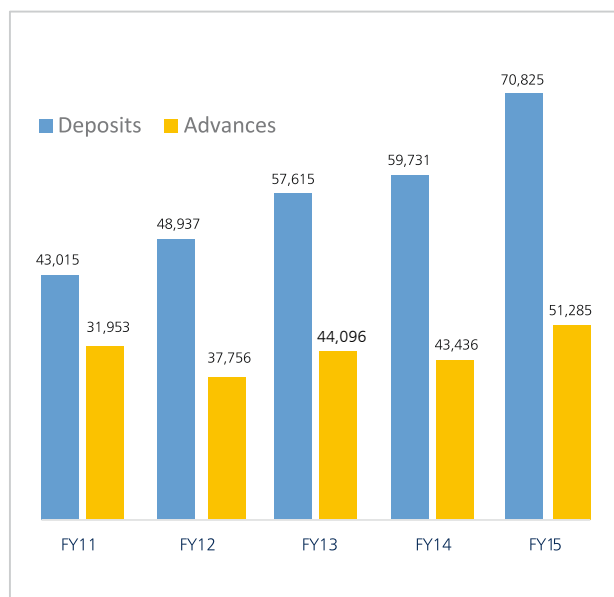


### Deposit Mix

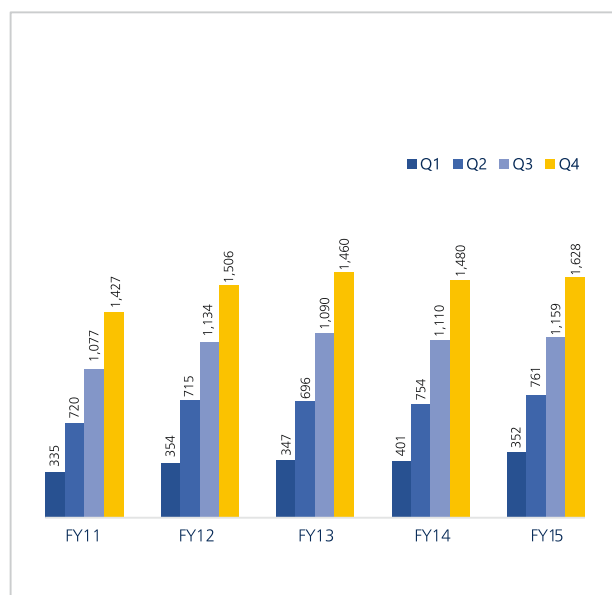




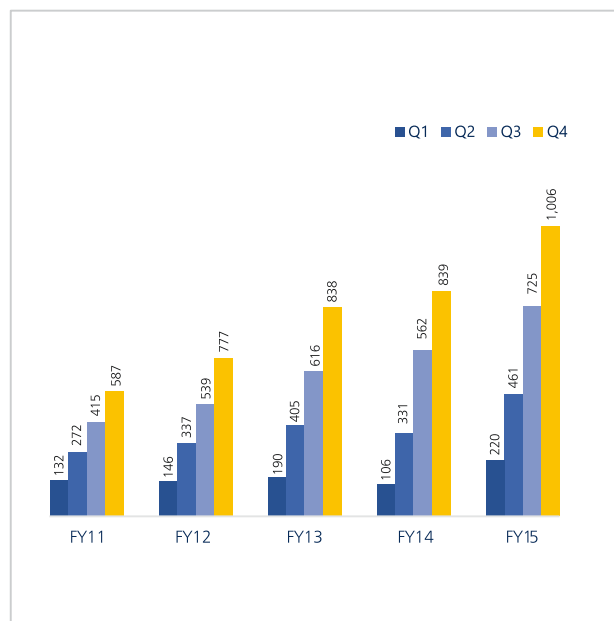
## Business



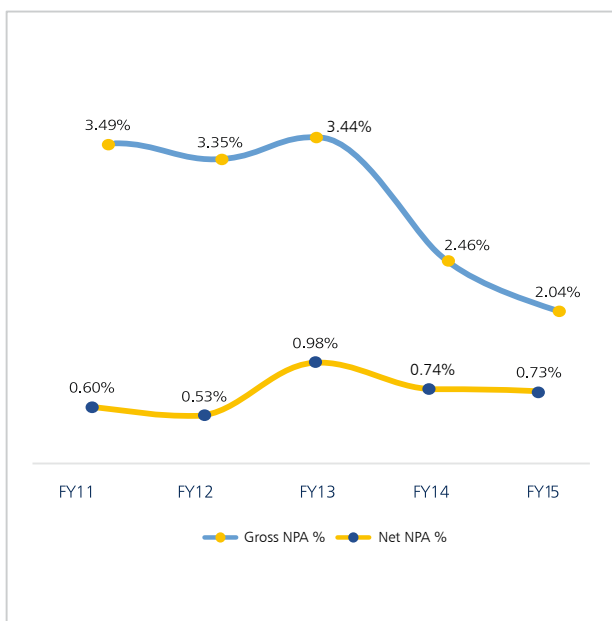
## Operating Profit



## Net Profit



## Asset Quality





CA Nilesh Shivji Vikamsey

## MESSAGE FROM THE CHAIRMAN

### Dear Shareholders,

Every year brings with it a mixed bag of opportunities and challenges. 2014-15 was no different in that regard. But, what made the last financial year truly special for us at Federal Bank was the way in which we resolutely harnessed our energies and resources to script a resounding success story. It was not a leap year according to calendar, but it was most certainly a 'leap' year for us in terms of profit and growth. So, I have the utmost pride and joy to present before you the annual report of Federal Bank for the year ended March 31, 2015.

The Indian economy in 2014-15 has shown a beginning towards improved economic outlook on the back of controlled inflation, decline in oil prices and initiation of long pending reforms among others. The macro economic situation in India has shown signs of improvement during the year.

When you look at the banking sector specifically, it presents a picture of contrasts. The Yin and Yang of challenges and opportunities stare at us at every twist and turn of our journey. Either you can get submerged by the waves of change or you can ride the crest of change and go places. At Federal Bank, we've opted for the latter. Our determination to trim our sails according to the wind is showing encouraging results at all levels. It is immensely gratifying to note that on many key performance parameters such as profitability, EPS, dividend and the number of branches, your bank could post impressive results.







The Bank posted its highest ever Operating Profit and Net Profit, the latter breaching the ₹ 1000 Cr landmark for the first time in history. The bank continued to improve its Asset Quality in FY15.

The Net Worth of the Bank increased to ₹ 7738.13 Cr as on 31.3.2015. The Capital Adequacy Ratio (CRAR) of the Bank, computed as per Basel III guidelines, stands at a comfortable level of 15.46 % as on 31st March 2015. The Bank continued to expand its footprint and added 73 branches and 126 ATMs during the year to take the tally to 1247 branches and 1485 ATMs as on 31st March 2015.

When we look out ahead in the banking industry in India, a different and exciting picture emerges. Indians are embracing mobile banking, internet banking and a range of consumer-friendly technology in a big way. Many people will want to do those day-to-day transactions from the palm of their hands because it's far faster than taking time out of their busy lives to visit a branch.

**The Yin and Yang of challenges and opportunities stare at us at every twist and turn of our journey. Either you can get submerged by the waves of change or you can ride the crest of change and go places. At Federal Bank, we've opted for the latter.**

Along with this digital leap, the other equally revolutionary development that is fast transforming the banking landscape is the unprecedented emphasis on Inclusive Banking. At Federal Bank, we view both these developments as hugely positive and have started devising our strategies accordingly.

To believe we can continue as an industry on the basis of a 10 am to 5pm working day is archaic. Technology and consumer behav-

iour are constantly changing and as an organisation which prides itself on digital innovation, we feel very strongly about opening up our channels to suit all lifestyles. The age of the pen and letter is still very much alive, but we need to understand that society is diverse, not least technologically. Millions of people who have become sophisticated digital users now expect the same convenience, speed and functionality from their bank – with the same level of security they would get from a brick and mortar branch. Your bank is continuously scanning the ever widening universe of digital technology to come up with products and services that'll keep us relevant.

On the subject of Inclusive Banking, enough talk has already happened. Now the time has come to walk the talk. A revolution is sweeping the country in the way millions choose to manage their finances. Your bank doesn't want to look at the challenge of inclusive banking a regulatory issue. Rather, we'll want to convert it as a strategic business opportunity. We firmly believe that with the right mix of customization and localization, our mission to reach out to the hinterland of India will yield us rich dividends. Last year alone, your bank opened 46 new branches in rural India. We have prepared an ambitious blueprint to make our presence felt in rural India in a substantial manner, offering our rich bouquet of products and services to the unbanked millions living in there.

On behalf of the board of directors, I wish to express my sincere gratitude to all the shareholders of the bank. Your support, patronage and encouragement instilled in us the drive and energy to keep the flag of excellence flying high. I assure you that your bank will continue to reset the benchmark for growth and performance year after year. I also wish to place on record my gratitude to all the regulators and authorities, as well as our valuable customers. Last, but not the least, I wish to thank our committed team of Federals who are leaving no stone unturned to implement the vision and roadmap that we're chalking out for our bank.

On a personal note, I am starting an exciting new voyage as the Chairman of Federal Bank. I know that my responsibilities are immense and at this juncture I wish to seek the support and patronage of each one of you. Together, we'll chart this fine organization to vast new horizons of growth and consolidation.



Shri. Shyam Srinivasan

## MESSAGE FROM THE MANAGING DIRECTOR & CEO

### Dear Shareholders,

I am happy to present to you our results for the financial year 2014 – 15. It is a matter of pride for all of us that 2014-15 was a landmark year with your bank posting its highest ever operating profit and net profit, delivering excellent performance in all the key parameters, despite a very challenging environment.

In the year 2014-15, the Indian economy continued to show signs of turning the corner. Growth picked up in 2014, inflation declined, and the external position was better compared to the previous financial year. The government underscored its intention to move steadily to tackle politically difficult structural issues that have stalled investment and limited economic performance in recent years. Despite the sprouting of green shoots, a robust recovery is beginning to take hold and also private investment is showing signs of picking up.

Banking, today, is about connecting people to their money more quickly, accurately and efficiently than ever before. As banks begin to place their focus more firmly on what customers want from the online and mobile platform, banking will evolve a very different business model from what exists today. The banks that become the early adopters of this new technology will undoubtedly be best positioned to lead the industry forward. At Federal Bank, we are exploring the digital frontier in full vigour and have already developed an impressive portfolio of online/digital products. We have made our presence felt in Internet Banking and Mobile Banking. Our rich bouquet of online services includes

